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FOLLOWING REPEAT MOSCOW 18386 SENT ACTION SECSTATE
INFO AMMAN BEIRUT CAIRO DAMASCUS JIDDA LONDON PARIS
TEL AVIV, DECEMBER 10TH:

QUOTE C O N F I D E N T I A L MOSCOW 18386

E.O. 11652 GDS

TAGS: PFOR, EG, UR

SUBJECT: CONVERSATION WITH EGYPTIAN AMBASSADOR: BREZHNEV'S TRIP

TO ME; PLO

1. SUMMARY: EGYPTIAN AMBASSADOR TO MOSCOW TELLS ME BREZHNEV WILL VISIT EGYPT JANUARY 14-18. HE EXPECTS SOVIET-EGYPTIAN FRIENDSHIP TREATY TO BE REAFFIRMED WITH EMPHASIS ON EGYPT'S INDEPENDENT STANCE; EGYPT'S DEBUTS TO USSR TO BE RE-SCHEDULED (REFTEL); AND VARIOUS ECONOMIC PROJECTS TO BE AGREED. ON PLO, AMBASSADOR FEELS SOVIETS ARE EXERCISING MODERATING INFLUENCE. HE BELIEVES RECOMMENDED GENEVA CONFERENCE WOULD PROVIDE FRAMEWORK FOR STEP-BY-STEP IMPLEMENTATION OF PRINCIPLES AND THAT PROBLEM OF PLO PARTICIPATION, WHILE DIFFICULT, SHOULD BE CAPABLE OF RESOLUTION. END SUMMARY.

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2. IN COURSE MY CALL DECEMBER 10 ON EGYPTIAN AMBASSADOR TO USSR,

HAFEZ ISMAIL, HE SAID BREZHNEV WOULD VISIT EGYPT JANUARY 14-18 AND THEREAFTER WOULD PROCEED TO SYRIA AND IRAQ. HE NOTED EGYPT HAD LONG WANTED BREZHNEV TO COME AND THAT VISIT WOULD BE VERY IMPORTANT MILESTONE IN SOVIET-EGYPTIAN RELATIONS. AMBASSADOR THOUGHT POLITICAL, ECONOMIC AND MILITARY SUBJECTS WOULD BE TAKEN UP DURING BREZHNEV'S STAY. WHILE HE DID NOT COMMENT FURTHER ON MILITARY MATTERS, HE HAD FOLLOWING TO SAY ON POLITICAL AND ECONOMIC SUBJECTS.

3. ISMAIL SAID VISIT OF COURSE WOULD HIGHLIGHT TREATY OF FRIENDSHIP AND COOPERATION BETWEEN USSR AND EGYPT. HE EXPECTS THAT, WHILE PRINCIPLES OF TREATY WILL BE REAFFIRMED IN GLOWING TERMS, COMMENTARY WILL INDICATE THAT ITS IMPLEMENTATION IN FUTURE SHOULD BE "MORE FLEXIBLE", TAKING INTO ACCOUNT EGYPT'S SOVEREIGNTY AND INDEPENDENCE. OF COURSE, POLITICAL ASPECTS OF A MIDDLE EASTERN SETTLEMENT WOULD BE DISCUSSED. ISMAIL SAID HE WAS NOT FAMILIAR WITH LATEST THINKING IN CAIRO IN THIS AREA AND THEREFORE HE HESITATED TO SPECULATE ON HOW THIS DISCUSSION WOULD GO.

4. IN ECONOMIC FIELD, AMBASSADOR STATED THAT RESCHEDULING OF EGYPT'S DEBT TO USSR WOULD BE CONSIDERED. IT WOULD BE HELPFUL, HE SAID, IF EGYPT COULD HAVE "FEW YEARS OF GRACE" WITH REGARD TO LOAN REPAYMENT. HE STRESSED THAT EGYPT INTENDS TO REPAY IN FULL, BUT THAT DELAY WOULD BE ADVANTAGEOUS TO EGYPTIAN ECONOMY. AMBASSADOR WAS CONFIDENT THAT SOVIETS WOULD "LOOK FAVORABLY" ON RE-SCHEDULING PROPOSAL. IN ADDITION, AMBASSADOR EXPECTS AGREEMENT WILL BE REACHED TO ENLARGE CERTAIN PROJECTS WHICH HAVE BEEN SUPPORTED BY SOVIETS IN PAST. HE NOTED EGYPT HOPES TO EXPAND IRON AND STEEL PRODUCTION AND THAT FEASIBILITY STUDIES WOULD BE AUTHORIZED IN THIS CONNECTION. HE ALSO MENTIONED A NEW PROJECT FOR EXPLOITATION OF ROCK PHOSPHATE IN NORTHERN EGYPT. EGYPT'S HOPE IS TO DEVELOP MORE VARIED PATTERN OF EXPORTS TO SOVIET UNION THROUGH SUCH PROJECTS (EXPORTS NOW CONSIST PRIMARILY OF COTTON, RICE AND YARN).

5. ON OTHER MATTERS RELATED TO MIDDLE EAST POLITICAL QUESTIONS, ISMAIL PRAISED THE SOVIET ATTITUDE TOWARD THE PLO. THE POSITIVE STANCE OF THE USSR ON THIS QUESTION, WHICH IS OF DEEP INTEREST TO ALL ARAB STATES, HELPS THE SOVIETS TO BE SEEN AS SUPPORTERS OF THE ARAB CAUSE. AMBASSADOR FELT THAT SOVIETS WERE USING THEIR CONFIDENTIAL

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INFLUENCE DISCREETLY BUT EFFECTIVELY IN DIRECTION OF INFLUENCING PLO TOWARD MODERATION. SOVIETS HAVE MADE CLEAR IN REPEATED PUBLIC STATEMENTS AS WELL AS IN PRIVATE THAT THEY RECOGNIZE THE EXISTENCE OF ISRAEL AS A STATE AND THAT THIS IS REALITY WHICH MUST BE DEALT WITH. AT SAME TIME, ISMAIL BELIEVES, SOVIETS ARE ENCOURAGING PLO TO SHED IMAGE OF TERRORIST ORGANIZATION AND ARE ATTEMPTING TO NUDGE PLO INTO ACCEPTANCE OF NEGOTIATIONS ABOUT FUTURE PALESTINIAN STATE. AMBASSADOR ALSO CONFIRMED WHAT WE HAVE

HEARD FROM OTHER SOURCES THAT SOVIETS ARE TAKING CAUTIOUS LINE ON PROSPECTIVE PLO GOVERNMENT-IN-EXILE. SOVIETS HAD TOLD ARAFAT, ACCORDING TO AMBASSADOR, THAT SOVIET VIEW WOULD DEPEND ON PROGRAM AND COMPOSITION OF GOVERNMENT-IN-EXILE (AMBASSADOR COMMENTED THAT PLO MUST DECIDE WHETHER GOVERNMENT WOULD BE EXCLUSIVELY PLO OR WHETHER IT WOULD INCLUDE OTHER ELEMENTS, SUCH AS REPRESENTATIVES FROM OCCUPIED TERRITORIES). ISMAIL WAS VAGUE ON QUESTION OF WHERE GOVERNMENT-IN-EXILE MIGHT HAVE ITS HEADQUARTERS. HE ALSO NOTED, AS WE HAVE HEARD ELSEWHERE, THAT SOVIETS HAVE ADVISED PLO TO SECURE RECOGNITION OF GOVERNMENT-IN-EXILE IN ADVANCE FROM BROADLY-BASED GROUPING OF STATES.

6. AMBASSADOR SAID HE EXPECTED PLO OFFICE IN MOSCOW WOULD BE CALLED "REPRESENTATION OFFICE" AND THAT IT WOULD ENJOY QUASI-DIPLOMATIC PRIVILEGES AND IMMUNITIES; HOWEVER, IT WOULD NOT HAVE FULL DIPLOMATIC STATUS AND WOULD NOT DEAL WITH FOREIGN OFFICE BUT WOULD BE ACCREDITED TO AFRO-ASIAN COMMITTEE.

7. AMBASSADOR HAD NOTHING PARTICULARLY NEW TO OFFER CONCERNING SOVIET THINKING ON RESUMPTION OF MEPC AT GENEVA. HIS PERSONAL FEELING WAS THAT IT WOULD BE USEFUL TO GET GENEVA STARTED EVEN THOUGH NOT ALL PROBLEMS WERE WORKED OUT IN ADVANCE. IN ANY CASE, HE BELIEVES, THE SUBSTANTIVE DECISIONS WILL BE MADE BY MAJOR PARTICIPANTS OUTSIDE OF CONFERENCE ITSELF. HOWEVER, MEPC COULD PROVIDE A FRAMEWORK WITHIN WHICH IMPLEMENTATION OF AGREED PRINCIPLES COULD TAKE PLACE ON A STEP-BY-STEP BASIS OVER PERIOD OF TIME.

8. ISMAIL ACKNOWLEDGED THAT MATTER OF PLO PARTICIPATION IN MEPC IS DIFFICULT, BUT FELT SURELY U.S. AND SOVIET UNION COULD WORK OUT SOME ARRANGEMENT WHEREBY ISRAEL AND PLO COULD BE BROUGHT INTO CONTACT FOR NEGOTIATIONS. HE AGREED THAT PLO WOULD HAVE TO ACKNOWLEDGE THAT EXISTENCE OF ISRAEL, BUT SAID THAT ISRAEL MUST CONFIDENTIAL

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ALSO AGREE TO NEGOTIATE WITH PLO. HE THOUGHT BOTH ATTITUDES WOULD HAVE TO BE DEVELOPED "SIMULTANEOUSLY" RATHER THAN ONE BEING DEPENDENT OF THE OTHER.

9. AMBASSADOR COMMENTED THAT TIME WAS PRESSING AND THAT IT WAS OF UTMOST IMPORTANCE THAT, WITHIN NEXT TWO YEARS, A FIRM PROGRAM FOR PEACE MUST BE ELABORATED AND SIGNIFICANT PROGRESS RECORDED IN ITS IMPLEMENTATION. IN DISCUSSION, HE AGREED THAT IT OBVIOUSLY WAS IMPORTANT TO MAKE PROGRESS IN EVEN SHORTER TIME SCALE, BUT SAID HE HAD MENTIONED PERIOD OF TWO YEARS SINCE HE FEELS THAT AFTER THAT TIME COMPOSITION OF SOVIET LEADERSHIP PROBABLY WILL HAVE CHANGED IN WAYS NOW DIFFICULT TO PREDICT, AND THAT U.S. PRESIDENTIAL ELECTIONS WILL ALSO OCCUR BY THEN, PERHAPS LEADING TO CHANGE IN U.S. AMBASSADOR FELT IT WAS ESSENTIAL TO CHART PATH FIRMLY TOWARD MIDDLE EAST SETTLEMENT BEFORE THESE CHANGES

TAKE PLACE.

10. ISMAIL REFERRED TO MATTER OF FINAL BORDERS FOR ISRAEL, SAYING IT WAS HIS UNDERSTANDING SOVIETS SUPPORTED JUNE 1967 LINES; WITHDRAWALS SHOULD TAKE PLACE TO THESE BORDERS, AND THEN NEGOTIATIONS COULD TAKE PLACE BILATERALLY CONCERNING "MINOR RECTIFICATIONS" FOR LOCAL SECURITY AND/OR POLITICAL (I.E., DIVIDED VILLAGES) REASONS. ISMAIL AGREED WITH ME THAT SOVIETS AT MOMENT WERE NOT TALKING OPENLY ABOUT POSSIBILITY OF "MINOR RECTIFICATIONS", BUT HE WAS CONFIDENT THEY WOULD GO ALONG WITH THEM IN THE END.

11. ON INTERNAL ECONOMIC PROGRAM IN EGYPT, AMBASSADOR STRONGLY FAVORS GREATER GOVERNMENT DIRECTION AND PARTICIPATION IN ECONOMIC ENTERPRISES. HE STRESSED HIS OPPOSITION TO INROADS MADE BY U.S. (CHASE MANHATTAN IN PARTICULAR) IN CONTROLLING EGYPTIAN BANKS. HE IMPLIED SOVIETS ALSO VIEW THIS UNFAVORABLY. AMBASSADOR REJECTED ANY THOUGHT THAT PROSPECTS FOR INCREASED U.S. INVESTMENTS IN EGYPT WOULD DEPEND ON PRIOR PULL-OUT OF SOVIETS (AN IDEA HE ATTRIBUTED TO HIGH U.S. OFFICIALS).

12. COMMENT: HAFEZ ISMAIL IS A MAN OF WIDE EXPERIENCE WHO SEEMS TO BE INTELLIGENT AND WELL INFORMED. WHILE HIS VIEWS ARE OFTEN EXPRESSED OPAGUELY, AND HE IS GENERALLY RESTRAINED IN HIS EXPRESSION, THE OVERALL IMPRESSION HE LEAVES IS OF A PERSON WHO IS DUBIOUS ABOUT THE DESIRABILITY OF AN EXPANSION OF U.S.-
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EGYPTIAN TIES AND IMPRESSED WITH THE NECESSITY FOR EGYPT TO MAINTAIN AND STRENGTHEN ITS RELATIONS WITH THE SOVIET UNION.
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